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STATE FOR EUR/WE SHARP, EUR/RUS, EUR/NB, WHA/AND,
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SUBJECT: FOREIGN MINISTER DE GUCHT'S SENIOR CABINET OFFICER
FOR BILATERAL RELATIONS OFFERS VIEWS ON VENEZUELA, BOLIVIA,
EU ENERGY POLICY, AND RUSSIA

REF: STATE 99473

Classified By: POL/ECON COUNSELOR Richard Eason for reasons 1.4 (B) & (D)

¶1. (C) Summary: During a September 19 call on Belgian MFA Deputy Head of Cabinet for Bilateral Affairs Thomas Lambert, Poloffs received the Belgian take on reftel demarche, PM Leterme's current trade and investment trip to Sochi, Russia, and the EU's evolving energy policy. The GoB was well aware of events in Venezuela and Bolivia. Lambert informed Poloffs the EU has sent signals through commercial channels and may cancel further EU - Andean Community talks that include Bolivia and Ecuador because of these two countries' pronounced anti-trade rhetoric. Lambert emphasized that Premier Leterme's visit to Sochi, Russia, was for economic, not political purposes. Belgium was anxious not to isolate Russia, since that could prove politically counter-productive. The GOB has been frank with Russia criticizing the gaping hole in Russia's economy caused by its economic dependence on energy exports without investing in energy infrastructure. Foreign investors, including key Belgian enterprises are already pulling money out of Russia. Lambert provided insight into the EU's evolving views on energy prior to the new policy expected in mid-November. Russia's recent behavior, efforts by newer EU members, and the need to meet climate change and renewables targets has led to a momentum for policy change. Lambert predicted the EU would reduce its dependency on energy imports significantly within the next ten years. He also noted that Russia and its role in the Baltics and nearby countries would be central to the agenda of Benelux - Baltic talks scheduled for mid-October. End Summary.

Venezuela and Bolivia

¶2. (C) Poloffs delivered reftel points September 19 to MFA Deputy Head of Cabinet Thomas Lambert. Lambert said the GOB was well aware of the situation in Venezuela and Bolivia, noting Venezuela has been problematic for some time. Signals of displeasure have been sent at the EU level. Specifically, the EU is becoming increasingly frustrated by Bolivia (and Ecuador's) increasingly pronounced anti-trade rhetoric, which has made EU dialogue with the four-member Andean Community challenging. He hinted that the E.U. is considering moving

to a purely bilateral commercial dialogue or one with the other Andean countries but excluding Ecuador and Bolivia.

Leterme's Russia Trip

13. (C) Poloff inquired about Premier Yves Leterme's current visit to Sochi, Russia. Lambert called it a primarily non-political visit. A political discussion occurred previously during the "frank and open" meeting between FM DeGucht and Lavrov. DeGucht's feedback from this meeting was fed to the French E.U. presidency prior to meetings with Putin. When asked whether the GOB had reconsidered proceeding with the visit, given the events in Georgia, he offered an emphatic no. The Belgian position on Russia is that to de-escalate the situation, lines of communication must remain open. "We must continue to talk. We do not want to confirm in their minds that the West is plotting against them."

Russia and E.U. Energy Policy

14. (C) In its commercial dialogue with Russia, the GOB has pointed out Russia's weak spot: energy. Belgian analysis shows that the economy is based entirely on energy exports, with the rest of the economy in shambles. Russia is creating a bottleneck for itself and its European trade partners through its failure to invest in energy infrastructure. He noted recent foreign exchange outflows from Russia, as investor confidence in the Russian economy falls. He noted

BRUSSELS 00001457 002 OF 002

that several major Belgian firms were scaling back considerably; risk management analysts from a major Belgian bank have requested meetings to obtain the MFA view. Lambert noted the impact economic problems would have for Putin, with his oligarch power base.

15. (C) Lambert was enthusiastic about EU efforts to improve energy efficiency, which will be one of the main foci in the new EU energy policy expected in mid-November. Looking toward the Belgian E.U. Presidency in 2010, the GOB has been working closely with current and future presidency reps. The GOB has noted the Czechs, French and Swedes are all reassessing priorities. Lambert predicts the E.U. will lower significantly its energy dependency within ten years. Lambert also mentioned a paper provided by the Embassy of the Netherlands to the Belgian MFA, which hints at a shift in Dutch energy policy. Lambert found the movement surprising, as the Netherlands has traditionally taken a different view from Belgium, due to Dutch energy reserves. All in all, there is considerable momentum for reassessing the E.U. position. The primary challenge in internal deliberations occurs when discussions of external market concerns lead to discussion of internal markets, where the French and Germans strongly defend their national interests.

16. (C) Lambert also argued that the E.U. needed to show solidarity with its new members by acknowledging concerns of central European members. Though Lambert noted that even in Soviet days Russia never shut down the gas flow to the West, and limiting energy supply is not an easy weapon to use, there are in fact other non-geopolitical goals that justify a change in policy. Reducing imports and increasing energy efficiency would also help meet climate change and renewable energy goals. Lambert said Europeans are well aware of the respectable activity in the U.S. on alternative energy and climate change by US states, universities, and private interests.

Benelux - Baltic

17. (C) The Benelux countries will be meeting mid-October with the Baltic nations outside of Tallin, Estonia. The agenda

will be heavily Russia focused: Energy and Russia, Georgia and Russia, and Russia and Its Neighborhood. In Lambert's opinion, the older members states that had earlier tended to dismiss East European fears about Russia, now realize they can learn things from the new members that can add nuance to their dialogue with Russia.

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